

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

June 23, 2005

8:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:30 a.m., Thursday, June 23, 2005, in the TierOne Community Meeting Room at 1221 N Street, Lincoln, Nebraska.

The Board members were notified of this meeting by letter dated June 13, 2005. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on June 13, 2005. Mr. Peters chaired the meeting and Ms. Hansen recorded the minutes.

MEMBERS PRESENT:

CHARLES PETERS, CHAIR
DENIS BLANK
WILLIAM HASTINGS
ROGER REA
DALE KAHLA
GLENN ELWELL
CAROL KONTOR, EX-OFFICIO

MEMBERS ABSENT:

JULIA MOELLER, VICE-CHAIR
MARK SHEPARD

NONMEMBERS PRESENT:

ANNA SULLIVAN

Director

JASON HAYES

Legislative Retirement Counsel

BEN MATTERN

Ameritas

JOE SCHAEFER

NPERS Legal Counsel

RANDY GERKE

NPERS Accounting & Finance Manager

RON NIEWOHLER

NPERS IT Manager

KRISTA DAVIS

State Auditor's Office

SANJAY GUPTE

Covansys Project Manager

BALA RAJAMANI

Covansys

TERESA ZULAUF

NPERS Internal Auditor

JANE HANSEN

NPERS Retirement Plan Supervisor

Agenda Items 1 & 2 - Meeting Called to Order: Chairperson Peters called the June 23, 2005, Board Meeting to order at 8:30 a.m. Present at roll call: C. Peters, D. Blank, W. Hastings, R. Rea, D. Kahla, G. Elwell, and C. Kontor. Absent: J. Moeller and M. Shepard.

Excuse Member: Mr. Blank moved to excuse Ms. Moeller and Mr. Shepard from the meeting. Mr. Rea seconded the motion. Members voted as follows: For: C. Peters, D. Blank, W. Hastings, R. Rea, D. Kahla, and G. Elwell. Against: None. Motion carried.

Agenda Item 3 - Approval of Minutes: Mr. Rea moved that the minutes of the May 16, 2005, Board Meeting be approved. Motion was seconded by Mr. Kahla. Members voted as follows: D. Blank, W. Hastings, R. Rea, D. Kahla, G. Elwell, and C. Peters. Against: None. Motion carried.

Agenda Item 4 - Approval of Budget Status Report & May Retirement Report: Judge Hastings moved to approve the budget status report and the May Retirement Report. Motion was seconded by Mr. Elwell. Members voted as follows: W. Hastings, R. Rea, D. Kahla, G. Elwell, C. Peters, and D. Blank. Against: None. Motion carried.

Agenda Item 5 - Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 6 - Covansys Annual Report: Mr. Sanjay Gupte presented the Covansys annual report. He stated that revenue remained approximately the same, with profits growing and the outlook good.

Ms. Kontor asked if Covansys was a public company. Mr. Gupte responded that it had been a public company since 1996.

Mr. Gupte continued, stating income for the company is derived from the United States, India, and the Asia Pacific area. Revenue decreased from 2003 due to the completion of large projects and there not being as many RFPs in the public sector as there have been previously. He reported that investment in the Clarety template (the product utilized by NPERS) remains strong.

Goals for Covansys include entering the health care benefits market and making systems international. The company is working with Ohio on a health care system and has implemented one in Rhode Island. They are also pursuing a contract for Quebec, Canada.

Mr. Gupte stated NPERS and Covansys worked extremely well on the NPERS project, and it was completed five months ahead of schedule. Although Covansys is currently providing system support for the project, NPERS has taken over maintenance of the servers, running of batches, analyzing problems by users, etc.

Mr. Peters noted there has been a misconception by outside entities about the status of the project. He stated it is important for it to be known that the project is indeed completed, and Covansys is providing maintenance only at this point. Mr. Gupte confirmed that completion occurred on January 8, 2004, when the last piece of the project was implemented.

Mr. Rea questioned items in the annual report referring to a material weakness in effective internal control over financial reporting. Mr. Gupte responded that Covansys is working on this issue and measures have been taken to correct the problem.

Agenda Item 7 - Technology Plan Update: Mr. Niewohner joined Mr. Gupte before the Board and presented the monthly technology plan update. He reported that training has gone well for the IT group, with two of the staff learning the Forte computer language.

He explained the “system development lifecycle” with regard to projects such as NPERS’ PIONEER computer system. He stated PIONEER is in the last phase of post-implementation at this time.

Mr. Niewohner reported that he has started work on a detailed disaster recovery program.

Agenda Item 8 - Legislative Update: Mr. Schaefer presented the legislative update. He reported that with the conclusion of the legislative session there will now be interim study resolutions. NPERS will assist the Legislative Retirement Committee over the summer with these interim studies.

There will also be steps taken with regard to the implementation of LB 503 and LB 364. Some portions of these laws are effective July 1, some in September, and some are not effective until next year.

Mr. Schaefer also noted he will be looking at the treatment of military service between the various retirement plans administered by the agency and working to make the requirements more uniform. He stated a review of this and other rules and regulations will be a priority this summer.

On the federal level, he reported that there is a proposal for a re-write on 415 limit rules.

Mr. Blank left the meeting at 10:00 a.m.

Agenda Item 9 - Investment Council Update: Ms. Kontor reported Ennis Knupp presented the results of the asset liability study. This study concerned the Council’s long-term asset allocations and its risk-reward analysis. The allocation will remain 70/30.

She also stated the allocation to real estate had been examined. The 5 percent here will change to 4 percent private and 1 percent public. Of the 4 percent private, there will be 3-3.5 percent core and .5 to 1 percent value added.

Ms. Kontor reported Ken Green will be leaving the Council and relocating out of state. His term expires in September, and his last meeting as Chair of the Investment Council will be the August meeting.

Mr. Rea moved to accept the Investment Council report. Motion was seconded by Mr. Kahla. Members voted as follows: For: R. Rea, D. Kahla, G. Elwell, C. Peters, and W. Hastings. Against: None. Motion carried.

The Board adjourned for a break at 10:10 a.m. and reconvened at 10:25 a.m.

Agenda Item 10 - Director’s Report: Ms. Sullivan presented the Director’s report; she reported that current agency activities include the state and county audit, school plan educational seminars, and preparations for the processing of the cash balance dividend.

With regard to the cash balance plan’s actuarial valuation, she reported the revised data connected to an earnings adjustment did not have a material impact on the April actuarial report for the plan.

Ms. Sullivan noted she has placed an informational item on the agency's website with regard to the proposal by Omaha Public Schools to absorb parts of the Millard, Ralston, and Elkhorn school districts. Mr. Rea suggested that Ms. Sullivan may wish to coordinate with Mike Smith of OPS regarding this article.

She reviewed her recent attendance at the NCTR Annual Retirement System Directors Conference which was held June 18-22, 2005, noting that this small-group setting makes for a very good conference.

Ms. Sullivan noted that with regard to future meetings and agenda items, the annual Board retreat is fast approaching in August, the State and County audit will be completed soon, the cash balance valuation update will be presented by the plan's actuary, Dave Slishinsky, and the joint meeting with the Investment Council is coming up in the fall, possibly November 7th or 8th. She will work with Ms. Kontor to finalize.

She noted that final copies of Board policies #10 and #13 previously approved by the Board, are being given to the Board.

Agenda Items 11 and 12 - Executive Session: At 10:55 a.m., Mr. Rea moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing disability applications from plan members, legal and personnel issues. Motion was seconded by Mr. Kahla. Members voted as follows: D. Kahla, G. Elwell, C. Peters, W. Hastings, and R. Rea. Against: None. Motion carried.

Mr. Blank returned to the meeting during the Executive Session.

At 11:55 a.m., Mr. Rea moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by Mr. Kahla. Members voted as follows: G. Elwell, C. Peters, D. Blank, W. Hastings, R. Rea, and D. Kahla. Against: None. Motion carried.

Mr. Rea moved for approval of the disability applications of R. Green, J. Vendetti, A. Griffin, C. McLaughlin, K. Mason, and K. Welch. Mr. Elwell seconded the motion. Members voted as follows: C. Peters, D. Blank, W. Hastings, R. Rea, D. Kahla, and G. Elwell. Against: None. Motion carried.

Mr. Rea moved to approve the deferred compensation plan emergency request of T. Muehlich. Motion was seconded by Mr. Kahla. Members voted as follows: D. Blank, W. Hastings, R. Rea, D. Kahla, G. Elwell, and C. Peters. Against: None. Motion carried.

Mr. Rea moved to deny the deferred compensation plan emergency request of L. Jimenez. Motion was seconded by Mr. Elwell. Members voted as follows: W. Hastings, R. Rea, D. Kahla, G. Elwell, C. Peters, and D. Blank. Against: None. Motion carried.

With regard to Farrand vs. NPERS, et al., Mr. Rea moved to accept the decision of the District Court. Motion was seconded by Mr. Blank. Members voted as follows: R. Rea, D. Kahla, G. Elwell, C. Peters, D. Blank, and W. Hastings. Against: None. Motion carried.

Agenda Item 14 - Chairperson's Comments: Mr. Peters noted that the Director's evaluation is due to be completed.

He also stressed that with legislative turnover coming soon, it will be important for communication to be clear that PIONEER's status is complete; although there is ongoing maintenance and payments to be made, this project is done.

Agenda Item 13 - Future Meetings/Agendas: The next meeting will be held on Monday, July 18, 2005, in the TierOne Community Meeting Room at 1221 N Street.

Agenda Item 15 - Adjournment: **Mr. Blank moved that the meeting adjourn. Motion was seconded by Judge Hastings. Members voted as follows: D. Kahla, G. Elwell, C. Peters, D. Blank, W. Hastings, and R. Rea. Against: None. Motion carried.**

The meeting adjourned at 12:35 p.m.

Anna J. Sullivan
Director
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